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NEWS RELEASE

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NATURAL GAS PRICES REMAINING AT RECORD HIGHS
Supply situation improving, but market instability remains

FRANKFORT, Ky. (Dec. 5, 2005) – Kentucky natural gas consumers will continue to see record high prices as the heating season moves into December, the Kentucky Public Service Commission (PSC) says.

On average, the state's major natural gas distribution companies expect their wholesale natural gas costs – which are passed on to consumers on a dollar-for-dollar basis – to be slightly lower in December than in November. While that suggests that the natural gas market is returning to normal in the wake of hurricanes Katrina and Rita, wholesale prices are still subject to abrupt swings, the PSC cautioned.

For example, wholesale prices jumped nearly 20 percent last week following forecasts of cold weather over much of the country.

“The continuing restoration of natural gas production in the Gulf Coast region should help consumers as supply comes more closely into line with demand,” PSC Chairman Mark David Goss said. “But we’re likely to be dealing with high prices and market instability for the rest of this heating season.”

Average wholesale gas costs for Kentucky's five major natural gas utilities are expected to average \$12.78 per 1,000 cubic feet (mcf) in December, down from \$12.91 per mcf in November. Of the three major natural gas distribution companies that asked the PSC to approve new gas cost adjustments for December, two asked to lower their rate, while one requested an increase.

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The wholesale price of gas, which is determined by market conditions, accounts for more than three-fourths of a typical customer's winter bill.

The average wholesale gas costs for Kentucky distribution companies in November and December as compared to last year are as follows (prices in dollars per 1,000 cubic feet):

	2004	2005	Increase	% increase
November	\$8.13	\$12.91	\$4.78	59%
December	\$8.60	\$12.78	\$4.18	49%
Change	+\$.57	-\$.13		

Current wholesale prices are more than double what they were three years ago.

Natural gas production from the Gulf Coast, which supplies most of the gas used in Kentucky, is now at about 70 percent of capacity. Full production is not expected to resume until sometime next year.

With gas prices expected to stay high for the foreseeable future, Goss said it is important that consumers look for ways to reduce energy consumption.

"It's unlikely we're going to see gas prices at pre-2003 levels anytime soon," he said. "Weatherization or any other investment in energy efficiency is going to produce a lasting benefit."

About 44 percent of Kentuckians heat their homes with natural gas. Those who heat with propane (10 percent) and fuel oil (3 percent) also will have sharply higher heating bills this winter. Prices for electricity are expected to be slightly higher due to higher coal prices.

By federal law, natural gas prices are not regulated at the wholesale level and fluctuate with supply and demand. Under Kentucky statute, gas companies are entitled to recover the wholesale cost of the gas delivered to customers. Companies are not allowed to earn a profit on their gas costs. The companies' gas cost adjustments are reviewed by the PSC to make sure they accurately reflect the wholesale cost of gas.

The five major natural gas distribution companies in Kentucky are Atmos Energy, Columbia Gas of Kentucky Inc., Delta Natural Gas Co. Inc., Louisville Gas and Electric Co. and The Union Light, Heat, and Power Co. Together, the five companies serve over 750,000 customers in Kentucky and deliver 176 billion cubic feet of gas annually.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.

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CONSUMER INFORMATION SHEET FOLLOWS

COPING WITH HIGH NATURAL GAS PRICES

Information for consumers

Kentucky consumers can take a number of steps to reduce their natural gas usage or to soften the impact of higher gas costs. They include:

Budget billing: This option allows customers to pay the same amount each month, based on their average monthly usage during the year. Customers should contact their utility for more information.

Energy conservation measures: Simple steps such as turning down thermostats on furnaces (most people are comfortable at 68 degrees) and water heaters (120 degrees is hot enough for nearly all uses) can be big energy savers.

Energy audits: Many local utilities offer home energy audits at little or no cost to consumers. These audits can identify energy-wasting trouble spots and provide information on how to correct the problems.

Weatherization: Consumers can do a number of things to reduce inflows of cold air and leakage of warm air, particularly around windows and doors. Some basic weatherization steps include:

- Use caulk or weather-stripping to seal cracks around windows, doors, pipes and other points where cold air can enter the home. This alone can reduce heating costs by 10 percent or more.
- Add insulation in attics, crawl spaces and walls.
- Cover windows, especially those with single-pane glass, with storm windows or plastic sheeting before the onset of cold weather.
- Clean or replace furnace filters monthly to improve airflow and efficiency.

Advice on conserving energy, including links to a wide range of information, also is available from the Kentucky Office of Energy Policy, on the Web at:

<http://www.energy.ky.gov/dre3/>

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Weatherization assistance for low-income families is available in Kentucky. Many utilities offer weatherization assistance in conjunction with local social service agencies. Local social service agencies also offer assistance through a state program administered by the Kentucky Cabinet for Health and Family Services. For information on weatherization assistance, call 502-564-7536, extension 4235, or go to:

<http://chfs.ky.gov/dcbs/dfs/Weatherization.htm>

Low-income consumers may qualify for assistance with their heating bills through the Low-Income Home Energy Assistance Program (LIHEAP). It is administered at the local level by community action agencies. Consumers who do not qualify for LIHEAP may be eligible for assistance through programs sponsored by their utility company or programs operated by local social service organizations. Consumers should contact their utility for more information. Information about LIHEAP is available on the Web at:

<http://chfs.ky.gov/dcbs/dfs/LIHEAP.htm>

For general information about cutting heating costs, utility issues or for assistance with resolving consumer disputes with utilities, contact the PSC by calling 800-772-4636 or go to the PSC Web site at:

<http://psc.ky.gov>